



Farmers Rural Electric Cooperative Corporation

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April 1, 2010

Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602

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APR 02 2010
PUBLIC SERVICE
COMMISSION

RE: Remote Disconnect/Reconnect Charge
Case No. 2010-00059

Dear Mr. Derouen:

Please find enclosed the original and four (4) copies of the responses to the Commission's Order "First Data Request of the Commission Staff to Farmers Rural Electric Cooperative Corporation" dated March 18, 2010

Please contact me at (270) 629-1307 with any questions regarding this filing.

Respectfully submitted,

FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION

A handwritten signature in cursive script that reads "William T. Prather".

William T. Prather,
President & CEO

Enclosure

www.farmersrecc.com

A Touchstone Energy Cooperative The logo for Touchstone Energy, featuring a stylized sun or star symbol.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

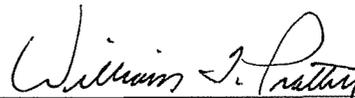
In the Matter of the Establishment of a
Remote Disconnect/Reconnect Charge
For Farmers Rural Electric Cooperative
Corporation

Case No. 2010-00059

**APPLICANT'S RESPONSES TO
FIRST DATA REQUEST OF COMMISSION STAFF**

The applicant, Farmers Rural Electric Cooperative Corporation, makes the following responses to the "First Data Request of Commission Staff", as follows:

1. The witnesses who are prepared to answer questions concerning each request are William T. Prather, and Jim Atkins.
2. William T. Prather, President and CEO of Farmers Rural Electric Cooperative Corporation is the person supervising the preparation of the responses on behalf of the applicant.
3. The responses and Exhibits are attached hereto and incorporated by reference herein.



William T. Prather, President & CEO
FARMERS RURAL ELECTRIC
COOPERATIVE CORPORATION
504 South Broadway
Glasgow, Kentucky 42141
(270) 629-1307

The undersigned, William T. Prather, as President & CEO of Farmers Rural Electric Cooperative Corporation, being duly sworn, states that the responses herein are true and accurate to the best of my knowledge and belief formed after reasonable inquiry.

Dated: April 1, 2010

FARMERS RURAL ELECTRIC COOPERATIVE

By: William T. Prather
William T. Prather, President & CEO

Subscribed, sworn to, and acknowledged before me by William T. Prather, as President & CEO for Farmers Rural Electric Cooperative Corporation on behalf of said Corporation the 1st day of April, 2010.

Linda Sue Foushee
Notary Public, Kentucky State At Large

My Commission Expires: 7-30-2011

CERTIFICATE OF SERVICE

The undersigned counsel certifies that the foregoing responses have been served upon the following:

Original and Four Copies

Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

Copy

Hon. Lawrence W. Cook
Assistant Attorney General
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601

This 1st day of April, 2010

ATTY. FOR FARMERS RURAL ELECTRIC COOP.

FARMERS RECC
CASE NO. 2010-00059

RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

Refer to Exhibit II of the application, line 3, which shows that the "Cost of Remote Disconnect/Reconnect as \$211.11.

a. Question:

State whether the \$211.11 includes the cost of the meter or it's the incremental cost of equipment needed to remotely disconnect or reconnect service. Include in your response a detailed breakdown of the \$211.11.

a. Response:

The \$211.11 represents the incremental cost of an upgraded AMI meter with disconnect/reconnect capability. The base cost of this upgraded meter is \$190.00 and has been adjusted for an estimated failure rate of 10 percent.

b. Question:

State whether the \$211.11 is included in Farmers' rate base upon which the current rates are set. If no, state whether Farmers plans to include the cost in rate base in its next rate case.

b. Response:

The \$211.11 amount was not included in Farmers' rate base in its most recent rate case. Farmers will include it in its rate base in its next rate application.

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RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

Refer to Exhibit II of the application, line 22.

a. Question:

The estimated number of remote disconnects and reconnects is shown as six per year. State whether this means that Farmers estimates that for the enabled meters, it will remotely disconnect or reconnect each meter six times a year.

a. Response:

Farmers is estimates that it will remotely disconnect or reconnect each meter six times a year.

b. Questions:

Provide the number of meters that were reconnected after being disconnected for nonpayment in 2009.

b. Response:

The number of reconnects after disconnecting for nonpayment in 2009 was 977.

Witness: Jim Adkins

c. Question:

State the number of meters that were disconnected for nonpayment and subsequently reconnected more than once in 2009.

c. Response:

The number of meters that were disconnected and subsequently reconnected more than once in 2009 is 348.

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RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

Question:

State whether or not overtime charges would apply to a remote disconnection or reconnection.

Response:

Overtime charges would not apply in the case of Farmers because this task would be accomplished by the dispatcher on duty at the time of remote disconnect/reconnect.

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FARMERS RECC
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RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

Refer to Exhibit IV of the application. In paragraph 2, Farmers states that it did not propose the remote disconnection and reconnection in its last rate case because it “was not fully versed on the capabilities of this system and the needed ancillary equipment for remote connections and disconnections.”

a. Questions:

Provide a description of the “ancillary equipment” needed for the remote disconnections and reconnections.

a. Response

The additional equipment needed would be the upgraded meter provided in the response to Item 1.

b. Question:

State whether the “ancillary equipment” referred to in the above statement is the same equipment that is shown on line 3 of Exhibit II. If no, explain the purpose of the equipment referred to in Exhibit II and state the cost of the ancillary equipment.

b. Response:

It is the same as the equipment shown on line 3 of Exhibit II.

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RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

Question:

State the number of ancillary equipment items purchased by Farmers, the number of meters to which Farmers intends to install the ancillary equipment, and how Farmers will determine which meters will be equipped with the ancillary equipment. Provide this information by rate class.

Response:

Farmers does not specifically know at the present time the number of upgraded AMI meters it may purchase. Whether the purchase of these meters will be made is somewhat dependent on the Commission approval of the proposed tariff. Farmers will use the following criteria for the use of these meters:

1. Historical pattern of disconnects/reconnects by a member;
2. Pattern of subsequent disconnects and reconnects by a member;
3. Length of time between subsequent disconnects and reconnects; and
4. Reasons provided by member for nonpayment.

Item No. 2c may be the best initial estimate of number of members who may be candidates for this upgraded meter. The breakdown by rate class is provided below:

- a. Residential Rate Class - 314
- b. Small Commercial Rate Class - 34

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RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

Question:

Has Farmers performed an analysis of the costs and benefits of purchasing and installing the ancillary equipment needed to remotely disconnect and reconnect meters? If yes, provide that analysis. If no, explain why no such analysis was performed.

Response:

Farmers has not performed a formal analysis of the costs and benefits of purchasing and installing this equipment. Farmers has compared the cost of non-remote disconnects and reconnects with the costs and has found them to be similar. The costs of non-remote disconnect as filed in Farmers last general rate case (Case No. 2008-00030) came to \$29.25 per unit and is comparable to the cost associated with the remote disconnect of \$29.59 as filed in this application and slightly higher than \$27.32 using the methodology of Blue Grass Energy as provided in the response to item No. 7. The only downside would be the installation of the upgraded meter and then no need existed for disconnect or reconnect on that meter.

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RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

The Commission previously approved a remote disconnection and reconnection charge for Blue Grass Energy Cooperative Corporation (“Blue Grass”) in Case No. 2007-00031 and Cumberland Valley Electric, Inc. (“Cumberland Valley”) in Case No. 2007-00205. The same methodology was used in both cases to calculate the service charge. Although the equipment costs are comparable in the aforementioned cases and the present case, Farmers is proposing to use a different methodology which results in a charge that is 50 percent higher than the was calculated in the Blue Grass and Cumberland Valley cases.

a. Question:

Explain why the methodology used by Farmers is superior to that used by Blue Grass and Cumberland Valley. Exhibit II from Case No. 2007-00205 is provided as an Appendix to this data request and shows the methodology used by Cumberland Valley.

a. Response:

The primary difference in methodologies is how the annual fixed charges are handled. In the Blue Grass and Cumberland Valley cases, the annual fixed charges were reduced to a monthly amount and then the variable costs associated with a reconnect/disconnect were added to determine the rate. In the methodology used in the development of the Farmers’ rate, a more traditional rate-making approach was

utilized where fixed costs are divided by the number of units to determine the fixed charge portion of the rate. Variable (labor) costs are then added to the fixed charge component to determine the total rate.

b. Question:

Recalculate the remote disconnect and reconnect charges by using the same methodology used by Blue Grass and Cumberland Valley and approved by the Commission in Case Nos. 2007-00031 and 2007-00205.

b. Response:

Attached on page 3 of this response is the calculation requested. A rate of \$27.32 has been calculated using the methodology from the Blue Grass Energy case and Farmer's information from the application.

RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

CALCULATION BASED ON METHODOLOGY FROM CASE Nos. 2007-00031 and 2007-00205

1				
2				
3	1	Cost of Remote Disconnect/Reconnect	\$ 211.11	
4		Tax	12.67	
5		Processing & Handling	25.00	
6		Total Cost of Unit	<u>248.78</u>	\$ 248.78
7				
8		Installation		
9		One (1) Hour of Labor	30.00	
10		Overhead - 100%	30.00	
11			<u>60.00</u>	60.00
12				
13		Total Equipment & Installation Cost		
14				
15		Amortize over 60 Months		
16				
17				
18				
19	2	One (1) Hour of Labor for Communications and		
20		Operational Control	30.00	
21		Overhead	15.00	
22		Total	45.00	
23		Approximate Length of Time to Disconnect/Reconnect		15 Minutes
24				
25				
26	3	Customer Service Representative - One (1) Hour	20.00	
27		Overhead	12.00	
28		Total	32.00	
29		Approximate Length of Time to Disconnect/Reconnect		15 Minutes
30				
31		Total Annual Cost		
32				
33	4	Interest - 6%		
34				
35	5	Margins for TIER of 2.0X		
36				
37	6	Total Cost to Disconnect or Reconnect for Non-Pay Remotely		
38				
39				

RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

CALCULATION BASED ON METHODOLOGY FROM CASE Nos. 2007-00031 and 2007-00205

\$ 308.78

\$ 5.15

11.25

8.00

\$ 24.40

\$ 1.46

\$ 1.46

\$ 27.32

RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

CALCULATION BASED ON METHODOLOGY FROM CASE Nos. 2007-00031 and 2007-00205

1					
2					
3	1	Cost of Remote Disconnect/Reconnect	\$	211.11	
4		Tax		12.67	
5		Processing & Handling		25.00	
6		Total Cost of Unit		<u>248.78</u>	\$ 248.78
7					
8		Installation			
9		One (1) Hour of Labor		30.00	
10		Overhead - 100%		30.00	
11				<u>60.00</u>	
12					
13		Total Equipment & Installation Cost			<u>\$ 308.78</u>
14					
15		Amortize over 60 Months			\$ 5.15
16					
17					
18					
19	2	One (1) Hour of Labor for Communications and			
20		Operational Control	30.00		
21		Overhead	15.00		
22		Total		45.00	
23		Approximate Length of Time to Disconnect/Reconnect			15 Minutes 11.25
24					
25					
26	3	Customer Service Representative - One (1) Hour	20.00		
27		Overhead	12.00		
28		Total		32.00	
29		Approximate Length of Time to Disconnect/Reconnect			15 Minutes <u>8.00</u>
30					
31		Total Annual Cost			\$ 24.40
32					
33	4	Interest - 6%			\$ 1.46
34					
35	5	Margins for TIER of 2.0X			\$ 1.46
36					
37	6	Total Cost to Disconnect or Reconnect for Non-Pay Remotely			\$ 27.32